

Message Text

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16-45

ACTION EA-10

INFO OCT-01 ISO-00 XMB-02 EB-07 COME-00 TRSE-00 OMB-01

ERDA-05 ACDA-05 CIAE-00 INR-07 IO-10 L-03 NSAE-00

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R 151005Z JUL 75 ZEL

FM AMEMBASSY MANILA

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C O R R E C T E D C O P Y (TEXT - DELETIONS PARA 7 AND PARA 8)

E.O. 11652 N/A

TAGS: EFIN, ETRD, ENRG, RP

SUBJECT: NUCLEAR POWER PROJECT

PASS EXIM

REF: STATE 157806

1. WESTINGHOUSE TEAM HEADED BY VICE PRESIDENT HAYWARD HAS SPENT PAST WEEK DISCUSSING FUTURE OF PHILIPPINE NUCLEAR POWER PROJECT. IN EARLY MEETING WITH ADCM, HAYWARD STATED WESTINGHOUSE PREPARED TO PROCEED WITH PROJECT ON SINGLE UNIT BASIS IF THIS ACCEPTABLE TO GOP. HAYWARD REQUESTED EMBASSY ASSISTANCE TO CONFIRM TO GOP ACTIVE WESTINGHOUSE INTEREST AND TO SEEK TO FOCUS GOP ON SINGLE UNIT PROPOSAL.

2. ADCM WAS ABLE TAKE UP QUESTION WITH EXECUTIVE SECRETARY MELCHOR. MELCHOR INDICATED AWARENESS OF NEED TO COME TO GRIPS WITH SINGLE UNIT PROPOSAL, DESPITE HIS DISAPPOINTMENT OVER DEMISE OF TWIN UNIT PLAN.

3. WITH MELCHOR'S SUPPORT HAYWARD AND WESTINGHOUSE GROUP WERE ABLE TO CALL ON PRESIDENT MARCOS TO REVIEW SITUATION.

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MARCOS HAD RECEIVED FULL BRIEFING ON ISSUES. FROM NPC

GENERAL MANAGER REVANZO. WHILE ACKNOWLEDGING LATTERS'S FEARS THAT SINGLE UNIT PROPOSAL WOULD REQUIRE HIGHER POWER RATES, MARCOS GAVE WESTINGHOUSE GO-AHEAD TO PRESENT SINGLE UNIT PROPOSAL.

4. WESTINGHOUSE OFFICIALS STATE THEY SEE NO OBSTACLE ON THEIR SIDE TO WORKING UP NEW FIGURES BY LAST HALF OF AUGUST. ROUGH PRICE ESTIMATE PROVIDED BY WESTINGHOUSE IS \$1 BILLION FOR FIRST PLANT. FIGURE WOULD INCLUDE ALLOWANCE FOR ESCALATION AS WELL AS ALL LOCAL WORKS AND ITEMS WHICH WOULD BE COMMON TO A SECOND PLANT.

5. ACCORDING WESTINGHOUSE, ABOUT 85 PERCENT OF ENGINEERING COSTS MUST BE ALLOCATED TO FIRST UNIT. THIS IS TO COVER COSTS OF PREPARING DESIGNS T MEET CURRENT SAFETY AND TECHNICAL REQUIREMENTS. MUCH OF THIS SAVINGS IN ENGINEERING COSTS ON THE SECOND UNIT WOULD BE LOST IF THE TIME LAPSE BETWEEN THE FIRST AND SECOND UNITS WERE GREAT ENOUGH TO REQUIRE EXTENSIVE RE-ENGINEERING AND/OR IF COMMON UNITS NOT BUILT WITH FIRST PLANT. HAYWARD POINTED OUT THAT 57/43 FIRST TO SECOND UNIT RATION IN U.S. COSTS WAS, NEVERTHELESS, WITHIN ONE PERCENTAGE POINT OF NPC CONSULTANTS ESTIMATES.

6WESTINGHOUSE ALSO NOTED THAT SIZE OF FINANCIAL PACKAGE WAS IN PART OWNED TO INCLUSION OF LOCAL COST FINANCING. NUCLEAR STEAM GENERATION WOULD MAKE UP SLIGHTLY MORE THAN HALF OF U.S. COSTS WITH MAJOR OTHER ITEMS BEING NUCLEAR FUEL SUPPLY AND ENGINEERING. ESCALATION FACTOR FOR LOCAL COSTS NECESSARY INCLUDED IN FINANCIAL PACKAGE.

7. NEXT STEP FOR GOP AND WESTINGHOUSE WILL BE DEVELOPMENT OF DEFINED SINGLE UNIT PACKAGE WHICH COULD BE DISCUSSED WITH FINANCING INSTITUTIONS. WESTINGHOUSE OFFICIALS CONFIDENT PROJECT WILL BE READY FOR NEW PRESENTATION TO EXIM BANK BY MID-AUGUST. PURNELL

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Message Attributes

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Margaret P. Grafeld
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